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DIA and DOS review(s) completed.

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GENERAL

1. Comment on indication of Soviet attendance at Austrian treaty meeting:

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[REDACTED]

[REDACTED] the USSR may accept the Western invitation to attend a deputy foreign ministers' meeting on an Austrian state treaty scheduled for that date.

On 25 May the USSR rejected a bid for four-power discussion of an Austrian treaty and emphasized the futility of further discussions on the deputies' level. The Soviet note of 31 July, however, stipulated withdrawal of the abbreviated text as the only condition for attendance at a meeting.

By agreeing not to introduce this short treaty for consideration, the West has removed a major Soviet excuse for not attending the meeting.

2. Reports of new Soviet moves in Iran:

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[REDACTED]

Prime Minister Zahedi told Ambassador Henderson that the Soviet ambassador in Tehran has protested to the Iranian government about anti-Soviet demonstrations on 19 August which included attacks on the Soviet information center.

According to press reports, the Soviet ambassador also has offered Zahedi aid to meet Iran's urgent financial crisis. Other press reports state that on 27-28 August the Soviet trade representative met with the Iranian minister of national economy to discuss the signing of a new supplementary agreement for the exchange of goods, which was followed by a statement from the Iranian minister to the effect that the agreement would be signed on 29 August.

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[REDACTED]

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Comment: Any Soviet aid to Iran would probably be offered as an annex to the June trade agreement, or possibly through a new agreement resulting from the negotiations soon to be resumed in Tehran, rather than as an outright gift.

Prime Minister Zahedi and the shah would not be averse to using an alleged or actual offer of Soviet help to stimulate American aid.

SOVIET UNION

3. Comment on the Moscow Air Show:

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Included in the annual Soviet air show over Moscow's Tuschino airport on 23 August were 54 single engine jet fighters similar to the MIG-15, but with a longer and more slender fuselage. No new bomber types were shown although it is known that prototypes have been built.

In the past prototypes of new aircraft have been demonstrated for Western observation at the air show each summer. Some of these types never get into production while others may be operational at the time of their appearance in the show. The appearance of the new fighters at this year's show points up the continued Soviet efforts to improve air defense and confirms that exhibition of new aircraft has not been discontinued. The failure to show new medium or heavy bombers suggests that these were not available, at least in quantities commensurate with the scale of the rest of the show.

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In late July, [redacted] seen [redacted] what appeared to be seven or eight type 31 heavy bombers and a possible prototype of a new swept-wing bomber at Ramenskoye Airfield, a test field for the Flight Research Institute. It has not been possible to determine whether these sightings indicated the existence of a new jet medium or heavy bomber [redacted]

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FAR EAST**4. South Korean officials say Communists intensifying penetration efforts:**

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[Redacted]

South Korean officials are concerned over Communist penetration since the armistice, according to General Van Fleet. These officials state that as soon as the armistice was signed, Communist agents began flocking south, some in the guise of returning prisoners of war and others sifting through the demilitarized zone or coming by sea. Van Fleet said that the South Korean government has not yet devised adequate measures to cope with the problem.

The American embassy comments that while infiltration and penetration will undoubtedly be accelerated, the South Korean government also has an interest in establishing publicly that this has taken place in order to justify its possible withdrawal from the political conference.

Comment: The recent North Korean purges eliminated among others virtually all the Communist leaders charged with the unsuccessful subversion program in the south. It can be expected that the new leaders will intensify their penetration efforts not only to avoid the fate of their predecessors but to promote the current Communist unification themes.

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[Redacted]

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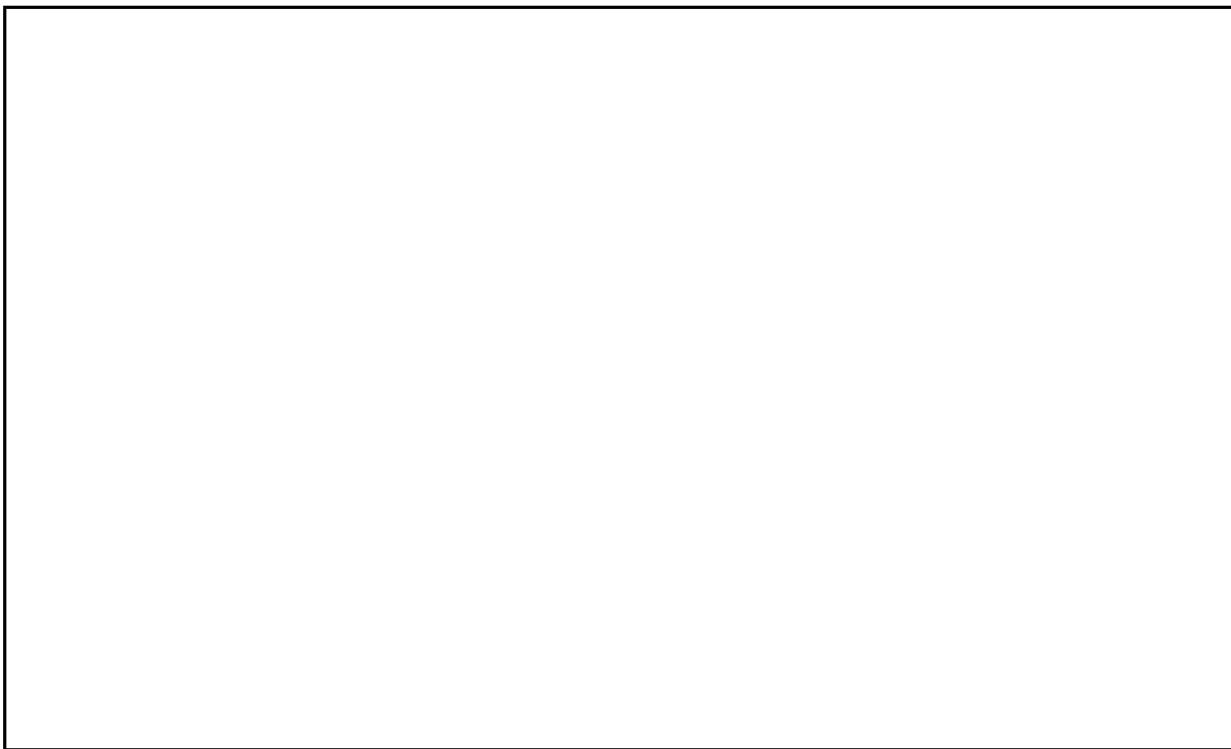
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WESTERN EUROPE

6. Adenauer objects to text of proposed Western note on Germany:

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Chancellor Adenauer believes that unless the proposed Western note to Moscow on the German and Austrian questions is amended, it may damage him in the 6 September elections and jeopardize the "German position." He objects in particular to any implication that the Western powers would discuss a peace treaty before the formation of an all-German government.

In the opinion of American representatives on the tripartite drafting committee in Paris, revising the text to meet Adenauer's insistence that any four-power meeting be confined to the question of free elections would give the Soviet Union a perfect pretext for evading discussions. Furthermore, it would expose both Adenauer and the West to charges of insincerity from the West German opposition Social Democrats.

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Comment: On the eve of the elections, Adenauer is probably unduly concerned over any implication that the West does not fully support his views on unification. This concern will probably be intensified by the Social Democrats' strong foreign policy declaration on 28 August that a Germany allied with the West can never be unified, and that any four-power conference must discuss not only unification but Germany's future role in international affairs.

7. Comment on Vatican-Spanish concordat:

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[redacted] The fact that a concordat between Spain and the Vatican was signed on 27 August after 19 months of secret negotiations represents an important victory for the Franco regime. The agreement in effect provides the first official Vatican endorsement of the present government. The text has not yet been released.

Internally, it represents a severe setback for nonleftist opposition groups already demoralized by the anticipated success of the US-Spanish base rights negotiations. Liberal Catholic elements had contended that past Vatican reluctance to negotiate a concordat reflected Pope Pius XII's displeasure at the regime's excesses. Anti-Franco monarchists had maintained that the Vatican regarded the Franco government as merely provisional and would not sign a concordat until the monarchy had been restored.

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